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C O N F I D E N T I A L SECTION 01 OF 03 DILI 000310

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TAGS: [PREL](#) [PGOV](#) [EAID](#) [TT](#) [PO](#) [AS](#)  
SUBJECT: AUSTRALIA, PORTUGAL BRING AID TO TIMOR-LESTE

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CLASSIFIED BY: Henry M. Rector, Deputy Chief of Mission, U.S.  
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REASON: 1.4 (b)

(C) 1. Summary. Timor-Leste's new government, led by Prime Minister Xanana Gusmao, had a lucrative week, as the Australian Foreign Minister and the Portuguese State Secretary for Foreign Affairs arrived bearing development assistance packages totaling USD 256 million. Both government and opposition leaders impressed the visitors favorably, resulting in guardedly upbeat assessments of prospects for Timor-Leste's political future. The visits demonstrated the reserve of goodwill that Timor-Leste still enjoys with its closest international partners despite last year's meltdown, fragile national institutions, and ever-present threat of political violence. Australia and Portugal fully grasp that getting this fledgling democracy on its feet is a long-term proposition. End summary.

¶2. (SBU) Timor-Leste's new government recently received high-level visitors from two of its most important foreign partners, Portugal and Australia. Portuguese State Secretary for Foreign Affairs and Development Joao Gomes Cravinho visited Dili August 30 - September 1. Cravinho is the second-ranking official in the Portuguese Foreign Ministry. Australian Foreign Minister Alexander Downer made a one-day visit to Dili on September 30. Downer's visit follows Prime Minister John Howard's one-day stopover in Timor-Leste on July 26. Although Howard met with President Jose Ramos-Horta at that time, the new Alliance for a Parliamentary Majority (AMP) cabinet of Prime Minister Xanana Gusmao was not yet in place, and the primary purpose of that visit was to meet with Australian troops serving in the International Stabilization Force (ISF) in the run-up to Australia's upcoming national elections. Broadly speaking, questions of aid and development assistance dominated both Downer and Cravinho's agendas.

ForMin Downer Meets The Melbourne Mafia

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¶3. (SBU) Foreign Minister Downer's one-day program on August 30 consisted of meetings with President Ramos-Horta, Prime Minister Xanana Gusmao, Foreign Minister Zacarias da Costa, President of Parliament Fernando de Araujo (Lasama) and former Prime Minister Mari Alkatiri, currently leader of FRETILIN, Timor-Leste's

primary opposition party. Downer also received briefings from International Stabilization Force (ISF) Commander Brigadier Hutcheson, and Atul Khare, Special Representative of the UN Secretary General.

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¶4. (C/NF) Downer was accompanied by Bruce Davis, Director General of AusAID. Downer and Davis presented the Timorese with an AD 214 million (USD 176 million) Enhanced Assistance Package.

According to Australian diplomats, this package represented Timor-Leste's share of an overall increase in the Australian government's foreign assistance budget. Davis remained in Timor-Leste for several days following Downer's departure to sort through a recent influx of new Timorese requests for aid. In his talks, Downer noted that Timor-Leste's ability to absorb development assistance continues to be constrained by low capacity and failure to execute its budget. To address these problems, the Australians offered to provide expert advisers to Timor-Leste's ministries. PM Xanana Gusmao and President Ramos-Horta countered with requests for further vocational and technical training opportunities in Australia, as well as an inquiry as to whether Australia would finance Timorese students studying in Indonesia. The two governments also initialed an MOU clearing the way for construction of a new Timorese chancery in Canberra and the acquisition of new land for the Australian compound in Dili.

¶5. (C/NF) In all of his meetings, FM Downer emphasized that that Australia would continue to participate in the ISF as long as it was needed and welcome. President Ramos-Horta, according to Australian contacts, estimated that the ISF would be needed through 2010 or even 2012. Downer emphasized that the ISF was no substitute for a police force, and said that its levels would be calibrated with the presence of the UN Police Mission and, eventually, the increasing capacity of the National Police of Timor-Leste. The role of the ISF, he stressed, is to provide backup for these bodies, not to take over their missions. Downer deflected Timorese requests that the ISF undertake civil

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engineering projects. SRSG Khare raised the possibility of extending the contracts of Australian civilians detailed to UNMIT from six to twelve months.

¶6. (SBU) Downer's talks with President of Parliament Lasama and former PM Alkatiri left him optimistic about the future of Timor-Leste's democratic institutions. Alkatiri said that his challenge to the new government's legitimacy was political, not legal, in nature, and that he would not pursue the matter through the courts.

¶7. (C/NF) An Australian diplomat in Dili commented that Foreign Minister Downer had come away from his visit with the impression that the so-called "Maputo clique" of the old FRETILIN government had been replaced by a "Melbourne Mafia" of officials with Australian background. Citing just a few examples, the diplomat noted that Economic Minister Joao Goncalves, Infrastructure Minister Pedro Lay, Finance Minister Emilia Pires and her brother Alfredo Pires, Secretary of State for Natural Resources, are all Australian-educated. Education Minister Joao Cancio Freitas only resigned from his job as manager of AusAID's education programs last week. Secretary of State for the Council of Ministers "Agio" Pires has lived in Sydney. Others who had not lived or studied in Australia themselves had family ties there. This, the diplomat said, seems to indicate that Timor-Leste's new government is more comfortable with Australians and less suspicious of Canberra than its predecessor.

State Secretary Cravinho Brings Largess from Lisbon

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¶8. (U) Portuguese State Secretary for Foreign Affairs and Cooperation Joao Gomes Cravinho also visited Timor-Leste from August 30 - September 3. Cravinho is the Portuguese MFA's

second-ranking official, and his program focused on development assistance. He also opened the second phase of the expansion of Dili's Portuguese School. In a September 3 briefing for donor country representatives, Cravinho announced that Portugal and Timor-Leste had signed a 60 million Euro (USD 81.6 million), three-year development plan on August 31. The strategy encompasses three broad pillars: good governance and democracy; sustainable development and combating poverty; and "clusters," i.e., an approach to development in which projects in various sectoral projects mutually reinforce each other. The cluster strategy, he added, was a somewhat experimental approach and would be tried in Ermera as a pilot project. The two largest single efforts would be in the areas of justice and education (falling under the first and second pillars, respectively), which would absorb roughly half of the three year plan's funds. He said that Portugal had fully absorbed one lesson of the 2006 crisis, namely, that the international community must sustain a long-term commitment to Timor-Leste and not rush for quick fixes to sources of instability such as youth unemployment and a weak, unprofessional security sector.

¶9. (C/NF) Cravinho expressed concern over the perception, perhaps fueled by some political actors in Timor-Leste, that Lusophone and other foreign donors were working at cross-purposes or even as rivals. Cravinho met with Australian ForMin Downer and AusAID Director Davis on August 30, and signed an MOU with AusAID providing for regular consultations on Timor-Leste in an effort to create synergy and remove potential frictions. (Note: the Australians commented, with a note of annoyance, that the Portuguese had "pushed very aggressively" for this meeting.)

¶10. (U) Commenting on the Portuguese language issue, Cravinho spoke at some length about its fundamental importance to Timor-Leste's historic and religious identity and connections to the broader Lusophone world. However, he went on to emphasize that the GOP wanted to defuse the language question as a political issue, and simply offer practical assistance in Portuguese language instruction where it was needed.

¶11. (U) Cravinho provided an upbeat assessment of the new government, based on his meetings. He noted that FRETILIN seemed poised to participate fully in the new Parliament. Cravinho said former Prime Minister Alkatiri has assured him that, despite his many differences with the AMP government, he was in broad agreement with it on the country's main priorities, such as security sector reform and internally displaced persons.

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Cravinho expressed the hope that this acknowledgement provided some hope for common ground between FRETILIN and the AMP government.  
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